

Testimony of Chet J. Drozdowski, Field Office Director, US Department of
Housing and Urban Development - Louisiana Office - Office of Public Housing

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The audit report issued by the Office of the Inspector General on 11 May 2001 is in my opinion a highly accurate representation of what was happening at the Housing Authority of New Orleans for the period of time beginning with the signing of the Cooperative Endeavor Agreement - February, 1996 to a period of time which concludes at the end of December, 1999.

My comments this afternoon will touch on the four questions posed by the Committee in its letter to Secretary Martinez and will also look at a number of issues raised by the Inspector General's report including the Field Office's attempt to verify the Housing Authority's Public Housing Management Assessment Program (PHMAP) scores in 1998, and to correlate the 1998 score to HANO's current advisory score under the Public Housing Assessment System (PHAS).

The comments made are relative to the period of time covered by the Inspector General's Report. During that period of time the Cooperative Endeavor Agreement had minimal impact on the quality of housing for the residents of the Housing Authority of New Orleans. During that period of time no major relocation took place at the two HOPE VI construction sites of Desire and St. Thomas, and only minimal demolition took place at either of the two HOPE VI sites during this three and a half year + time period. However, during the later part of the 1998 time frame some modernization projects were started at selected sites throughout the Authority.

During this same period of time some internal improvements at the Housing Authority were noted. While there was a recruitment of key management employees, and some restructuring of the Authority's organizational operations which all had some positive effect - at the time - HANO began to experience major difficulty in its Section 8 Department. This key department, the major component in its relocation program, would subsequently collapse in mid-year 2000.

From the Field Office perspective , the Cooperative Endeavor Agreement was expected to give new management and direction to the Housing Authority of New Orleans. It was further expected to apply aggressive action to (1) relocated residents from the HOPE VI construction sites; (2) demolish units which had been approved by the Department as part of the HOPE VI program; (3) fully engage the HOPE VI construction program; (4) improve the maintenance at the Housing Authority sites; (5) develop a plan of action for the demolition of units identified as no longer viable to be maintained by the Housing Authority; (6) reorganize the internal operating structure. The Housing Authority made little progress in any of the aforementioned.

During the first two and a half years of the Cooperative Endeavor Agreement there appeared to be an all out effort to achieve a passing score of at least 60% on the Department's PHMAP assessment program. It appeared to be the ultimate "end game" strategy of the Cooperative Endeavor Agreement. To the casual observer, getting off the troubled list might have appeared to be a major accomplishment. But for those who know the ins and outs of the program, getting a passing score was not an accomplishment at all. There was very little correlation between a self certified assessment program and public housing inventory stock that its safe, sanitary and decent. HANO crossed that "mystical" management troubled threshold in 1997 when an appeal was granted by HUD Headquarters. Later the next year - in July 1998 , HANO subsequently appealed their troubled modernization status. After a review of the information, my staff recommended to me to deny the appeal as the Authority had not provided sufficient justification for its appeal. HANO was advised that their appeal had been denied. . Under the PHMAP regulation, an appeal denied by a Field Office may be appealed directly to the Assistant Secretary. In November, 1998 HUD Headquarters reversed the Field Office decision and in December, 1998 I was instructed to inform HANO that they were successful in their second tier appeal. The Housing Authority was given a passing score - effectively taking them also off the modernization trouble list.

The following calendar year - 1998, HANO self certified to a management score of 85.16 and an overall modernization score of 64.70. A review of the self certified material by my staff once again raised a number of very skeptical concerns. It was at this point that I requested the necessary travel and per diem funds to bring a team together from my Mississippi Program Center to perform a confirmatory review of HANO's documentation and verify, among other things, the quality of maintenance and the accuracy and timeliness of the required inspection of units. A series of e-mails followed my initial e-mail request. Headquarters did not provide the necessary funds - approximately \$5,500.- to bring in a team to examine the Housing Authority's documentation and housing stock citing that I did not lay a sufficient case for the confirmatory review.

The PHMAP program has since been replaced by the Public Housing Assessment System. PHAS is composed of four components - Financial, Physical Assessment, Management and Resident Satisfaction. Two of the components - Financial and Physical - are verified by third parties. Resident Satisfaction is handled by a survey directed to the residents and forwarded to an outside contractor for tabulation. The Management component is still self-certified by the Housing Authority. The latest Advisory Score for the Housing Authority of New Orleans shows that it has failed both the Financial and Physical component but passed the Resident Satisfaction portion of the program.

The Financial Score for the Authority is 15.6 /30, the Physical component score is 9.5/30 and the Resident Satisfaction score is 8.2/10. The Management component, which is self certified, is 26/30. Despite the failure of two key indicators the Housing Authority is still not considered "troubled" because of its self certified Management score.

Given the difficulties of the Housing Authority of New Orleans over the past twenty one years, few options remain. In the past ten years, two private management companies along with a combination of HUD recovery teams and now the Cooperative Endeavor Agreement have tried to turn HANO around. Despite a number of recent accomplishments at the Housing Authority - especially at the HOPE VI sites, the Field Office believes that the management and organizational capacity is insufficient to handle the enormous workload which still faces the agency. Five major construction projects are on going. Certainly because of need, the Housing Authority is expected to apply for two additional HOPE VI grants in the current FY 2001 funding cycle. If successful in getting two additional HOPE VI projects, its management structure would be strained even more.

Added to the large HOPE VI/development workload - the Housing Authority of New Orleans needs to mount a major offensive on the maintenance problems at its other public housing inventory sites. These sites by virtue of their age and current state of disrepair, will require a much more aggressive and comprehensive preventive and routine maintenance program and almost daily attention. Given the high self certified Management component of PHAS, there is real doubt that the Uniform Physical Condition Standards are being met and that maintenance is being done in a timely manner.

Compounding all of the issue is the Authority's Section 8 Program that is still in a state of repair. The Section 8 Program will come under increased pressure to fully engage in the relocation of families in the HOPE VI and development impact sites. Further, the Section 8 Program has a long way to go before it is fully functional and able to provide the community at large as well as the residents of the Housing Authority of New Orleans a viable resource for affordable housing.

Overlaying these issues are the concerns of the residents of HANO. A recent article in the Times Picayune (Friday-05/21/01) suggests a total loss of confidence in the management of the Authority.

Since 1981, the Department of Housing and Urban Development has provided to the Housing Authority of New Orleans slightly over \$1 Billion - 100 million . \$800 million of that one billion dollars plus in just the last 10 years. It is difficult to explain to the residents living in HANO properties, or to the citizens of the New Orleans and Louisiana or to someone living in upstate New York or Des Moines, Iowa what impact a billion dollars has made to improve the quality of life or the sustainability of the public housing program here in New Orleans..

In late 1995 Secretary Cisneros was poised to place the Housing Authority of New Orleans into receivership. It didn't happen. Given the enormous workload and associated difficulties dealing with the day to day operation of this housing authority and its twenty year history of ineffectiveness, the Field Office believes that judicial receivership needs to be once again placed on the table for consideration. Despite some recent accomplishments - it is doubtful that the progress will continue.

The Quality Housing and Work Responsibility Act of 1998 required the Department to establish a National Advisory Council for the Housing Authority of New Orleans. The intent of Congress was for a council to review the progress of the Housing Authority of New Orleans under the Cooperative Endeavor Agreement and provide standards and guidelines for assessing the performance of the Agency. Further, the Council was expected to make recommendations to Congress NLT June, 2000 on how next to proceed with the Authority. Although a National Advisory Council was indeed finally established, HUD Headquarters was significantly tardy (by 15 months) in the establishment of the Council. Had the National Advisory Council been established within the time lines established in the Reform Act, it is the Field Office's opinion that the Council would have reported similar circumstances as reported by the Inspector General's recent report. Despite the establishment of the National Advisory Council, the Field Office has yet to receive any reports \ standards or guidelines for assessing the performance of the Agency.

With regard to the National Advisory Council, the Field Office also agrees with the Inspector General that two National Advisory Council members should be replaced because of the appearances of conflict of interest. The HUD representative to the Council was the former Chairperson of Housing Authority of New Orleans. Under Louisiana State Law - the Board is the

Housing Authority and the Housing Authority is the Board. Essentially the HUD National Council Advisory representative would be making a determination of her own performance while serving as the Chairperson of the Housing Authority. As Field Office Director, I respectfully disagree with HUD Headquarters response. In my opinion, the response defies logic and an ethical foundation relative to issues of conflict of interest.

There are indeed a great deal many more issues relative to the Housing of Authority of New Orleans. My testimony covers only a small percentage of those issues. With that, I will conclude the oral testimony and will respond to questions.